

Committee on Ways and Means

H.R. 4297, *Tax Relief Extension Reconciliation Act*

Benefits of Lower Rates on Capital Gains and Dividend Income

Economic Growth and Job Creation

Since the tax rates on capital gains and dividends were reduced in May 2003:

- ⇒ The economy has grown at an average annual rate of 4.1 percent.
- ⇒ 4.4 million new jobs have been created.
- ⇒ Government tax receipts have increased 10 percent annually.

Who Benefits

- 24 million families benefited by an average of almost \$950 on their 2004 tax returns. Seven million beneficiaries were seniors who received an average benefit of \$1,231. *(Source: Treasury Department)*
- Of the Americans who benefit from the reduced rate on capital gains:
 - ⇒ One in five has income below \$50,000 and
 - ⇒ 58 percent have incomes below \$100,000. *(Source: Joint Committee on Taxation)*
- Of the Americans who benefit from the reduced rate on dividends:
 - ⇒ One in four has income below \$50,000 and
 - ⇒ 59 percent have incomes below \$100,000. *(Source: Joint Committee on Taxation)*
- In sum, nearly 60 percent of Americans receiving capital gains or dividend income have incomes of \$100,000 or less.

Why Extend the Lower Rates Now?

- Because *future* tax rates on capital gains and dividends affect the investment decisions that families and businesses are making *today*.
- If certainty is not provided over a reasonable investment horizon, individuals may put less money in the market. This could reduce savings, depress the equity markets, and reverse the economic growth and job creation we have experienced since the lower rates were enacted in 2003.